

UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency
Washington, DC 20250

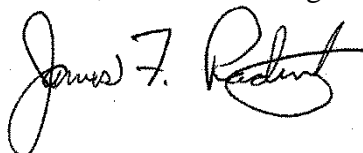
Notice FLP-670

3-FLP

For: State and County Offices

**Implementing the Agricultural Act of 2014 (2014 Farm Bill)
Microloans to Beginning Farmers and Ranchers**

Approved by: Acting Deputy Administrator, Farm Loan Programs



1 Overview

A Background

The 2014 Farm Bill (Pub. L. 113-79), enacted February 7, 2014, made several revisions to the Consolidated Farm and Rural Development Act (Pub. L. 87-128). Specific revisions affect FSA's FLP microloans and are effective immediately.

B Purpose

This notice addresses the following changes for microloans issued to beginning farmers and veteran farmers:

- effect on direct OL term limits
- defines veteran farmer with respect to these provisions
- action required by Field Offices
- selection and documentation of interest rates.

FSA regulations and FLP handbooks will be amended to incorporate these revisions. Regulations will be written to implement the remaining statutory changes included in the legislation.

C Contact

If there are questions about this notice:

- County Offices shall contact the State Office
- State Offices shall contact Carrie Novak by either of the following:
 - e-mail to carrie.novak@wdc.usda.gov
 - telephone at 202-720-1643.

Disposal Date	Distribution
October 1, 2014 3-25-14	State Offices; State Offices relay to County Offices

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2 Microloans

A Term Limits

Microloans issued to beginning farmers or veteran farmers are excluded from direct OL term limits. This is retroactive to the implementation date of the microloan program, which is January 17, 2013.

Note: The Farm Bill, Section 12201, established the following definition for a veteran farmer or rancher, and amends 7 U.S.C. 2279(e).

“VETERAN FARMER OR RANCHER.—The term ‘veteran farmer or rancher’ means a farmer or rancher who has served in the Armed Forces (as defined in section 101(10) of title 38 United States Code) and who—

(A) has not operated a farm or ranch; or

(B) has operated a farm or ranch for not more than 10 years.”

Changes will be made to FLP systems to properly reflect the remaining years of eligibility.

This term limit exclusion is applied retroactively. Beginning farmers or veteran farmers who received a microloan in calendar year 2013, and did not also close a regular OL, will show a year subtracted from their remaining years. **Do not correct the customer profile.** A special script will be run to add back the year that was subtracted. Changes to the system are expected in time for the automatic script that is run at the beginning of each year, scheduled for early 2015.

B Action Required by Field Offices

Offices should take the following steps before April 15, 2014.

Step	Action
1	To identify microloans made to beginning farmers and veteran farmers in 2013, State Offices should run the Lending to Beginning Farmers and Ranchers-Detail Report . This report is located in the Farm Loan Programs Data Mart/Goal OnDemand Reports. Offices will select the date by range (1/17/2013 to 12/31/2013), CLICK “Submit”, and download into an Excel report. The Excel report can be sorted for the type of assistance (TOA) codes 665-672. Veteran farmers are also beginning farmers and will be included in these TOA codes.
2	To obtain the most current status of remaining years of eligibility, Field Offices should run the Term Limit Report , which is found under Farm Loan Programs Data Mart-Direct Loan Systems OnDemand Reports-Loan Making Reports-Direct Applications.

2 Microloans (Continued)

B Action Required by Field Offices (Continued)

These 2 reports should be run again after being notified that the script has been performed to correct the remaining years of eligibility. The reports will be compared for verification purposes. If a beginning farmer or veteran farmer also closes a non-microloan OL in the year, the regular OL will be subject to term limits. Discrepancies on remaining terms after the correction script has been run must be reviewed before corrections to the customer profile.

Offices needing assistance running reports can access the Hyperion Reports User Guide at http://fsaintranet.sc.egov.usda.gov/fcad/Manuals/DLS/HyperionUserGuideV3_1.pdf.

C Microloan Interest Rate

Effective February 7, 2014, beginning farmer or veteran farmer (as defined in subparagraph A) microloan applicants may choose to receive either the microloan interest rate of 5 percent or the current OL interest rate. This rate will be published in 1-FLP, Exhibit 17.

Microloan applicants who do not meet the definition of beginning or veteran farmer will continue to receive the current OL rate.

Until changes are made to FSA forms, the loan official will document the customer's interest rate choice by inserting the following paragraph into FSA-2313, Part A, item 9.

“The interest rate on a microloan to a beginning farmer or rancher or veteran farmer or rancher is 5 percent. However, borrowers in these groups have the option of choosing the microloan rate of 5 percent or the OL interest rate in effect at the time of approval, or if lower, the rate in effect at the time of closing.

Select One:

- ☐ Current OL interest rate in effect at the time of approval or loan closing, whichever is lower
- ☐ Microloan Interest Rate (5%)”

Note: Even though the Farm Bill defines a veteran farmer or rancher as one who has not farmed for more than 10 years, it is important to note that this is only for the purpose of excluding them from term limits and selection of interest rates. After the 10 years of farming, they will still be identified as veterans but just not afforded the provisions identified in subparagraph A and this subparagraph.